



INDEPENDENT BANKERS OF COLORADO

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October 18, 2001

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments/OES
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429
Fax: 202-898-3838
Email: comments@fdic.gov

Ms. Jennifer J. Johnson, Secretary
Federal Reserve Board
20th Street and Constitution Ave, NW
Washington, DC 20551
Attn: Docket No. R-1112
Email: regs.comments@federalreserve.gov

Communications Division
Public Information Room
Office of the Comptroller of the Currency
250 E Street, SW Mailstop 1-5
Washington, DC 20219
Attn: Docket No. 01-16
Fax: 202-874-4448
Email: regs.comments@occ.treas.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington DC 20552
Attention: Docket No. 2001-49
Fax: 202-906-6518
Email: regs.comments@ots.treas.gov

RE: Community Reinvestment Act

Dear Sirs or Madams:

The Independent Bankers of Colorado (IBC) is a trade association representing independent community banks throughout Colorado. Many of our members have commented to the association and the regulators over the years regarding the burdensome requirements for compliance with the Community Reinvestment Act ("CRA"). Community banks by their very nature are committed to the success and the activities of their local communities. Their future is intimately intertwined with the local community. Even without a community reinvestment act, such institutions would still be involved in reinvesting in their communities. Colorado's independent community banks support the underlying key objectives of CRA. Our concerns lie with the regulatory process and the particular requirements under the CRA rules.

Small Bank Test

Our major concern is that the size for a small bank is far too small based. The industry has changed drastically since 1995 when the current size limits were enacted. Interstate banking and merger activity has increased the size and geographic expansion of individual financial institutions. Since 1995, banks have grown into entities that spread from coast-to-coast having assets in the hundreds of billions. There has been a dramatic shift in industry

asset concentration. In 1980, the nation's top 100 banks controlled approximately 51 % of industry assets. In 1998, the nation's top 100 banks controlled 75 % of industry assets, while the top five banks controlled 23 % of the industry's assets at the end of 1997. Using June 30, 2000 data, there are 204 charters in Colorado subject to CRA. The five largest institutions control 49.5% of the state's deposits and each has deposits of \$2.6 billion or more. The 10 institutions with over \$1 billion in deposits control 64.7% of total deposits. One hundred forty two (142) have \$1 billion or less in deposits and control a mere 39.5% of total deposits in Colorado. Deposits are truly dispersed in the state over a wide number of institutions. Consequently, the current \$250 million asset ceiling limiting eligibility for the streamlined CRA exams should be increased to at least \$1 billion, preferably \$2 billion.

We also suggest that the holding company test be eliminated altogether. Most (although not all) bank holding companies hold a single institution. In those rare circumstances in which a holding company owns more than one bank, there are significant business reasons for such holdings, such as slight variations in minority ownership outside of the holding company or other business factors. The holding company format is not used as a foil to keep banks below the asset test size. Rather, the holding company structure is a product of other business and legal criteria. Alternatively, the bank holding company asset size should be increased to \$5 billion.

Investment Test

Those institutions that have found themselves in the large bank category have almost uniformly reported difficulties in meeting the investment test of the large bank exam. It is extremely difficult to identify investments that will satisfy the requirements of the CRA rules. Investment in worthwhile development projects are not enough. The investment must contribute to the particular community. Such investments are not available in the communities in which these intermediate size banks (that are arbitrarily forced to meet the "large" bank test) may be located. We do not believe that the investment test furthers the original objectives of the community reinvestment act. If the investment test is retained, however, it should be an option for a large bank rather than a mandatory component. Also, we generally oppose distinguishing purchased loans from originated loans for CRA credit as an unnecessary complication that defeats many outreach programs. We urge broadening the definition of what activities qualify under both the investment and service tests; allowing credit for more activities outside a bank's assessment area;

Examination Ratings and Other Requirements

Improvements are also needed in how examiners assign ratings. Many small banks believe it impossible to earn an "outstanding" rating. Unless changed, this perception "defeats the purpose of the small bank examination process and the underlying purpose of the statute." Other improvements are also needed in examiner training and procedures, especially with the performance context, where examiners should disclose how it is developed and applied. We also urge requiring maintenance of the public CRA file only at the bank's main office and eliminating data collection by large banks as a burdensome exercise that does not provide meaningful information.

Thank you for this opportunity to comment. The IBC and its members strongly support the underlying goals of community reinvestment. We simply urge that the rules be fine-tuned to achieve those objectives without excessive regulatory burden.

Sincerely,

/s/

Barbara M.A. Walker
Executive Officer